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# Assembly California Legislature



V. MANUEL PÉREZ  
ASSEMBLYMEMBER, EIGHTIETH DISTRICT

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ACCOUNTABILITY AND  
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May 28, 2009

Governor Arnold Schwarzenegger  
State Capitol Building  
Sacramento, CA 95814

Dear Governor Schwarzenegger,

I am writing to express my deep concerns about the proposed plan to borrow \$2 billion from city property tax revenues through Proposition 1A.

At a time when local governments are already operating under great strain due to the economic recession, this proposal will disproportionately affect smaller cities and rural areas. In the 80<sup>th</sup> district, city governments are reeling due to revenue short falls from dramatically reduced property taxes, sales taxes, and development fees.

The situation in the 80<sup>th</sup> district is especially dire. The 80<sup>th</sup> district is considered the "epicenter" of the home foreclosure crisis, with some neighborhoods more closely resembling ghost towns. Parts of my district have rates of unemployment twice that of the state, upwards of 25 percent. Adding to this bleak picture, we have recently received word that two Chrysler dealerships in the 80<sup>th</sup> (in La Quinta and El Centro) have been slated for closure, resulting in greater loss of good jobs and reductions in city tax revenues.

During this time of unprecedented need, here is what I'm hearing from city leadership in the 80<sup>th</sup>:

- The City of El Centro has already had to reduce its budget by \$2.7 million for next year through hiring and pay freezes and eliminating temporary and part-time positions. The city manager has told me that they have avoided layoffs so far, but that option is not off the table, particularly if they are impacted by another reduction in revenues.
- The City of Desert Hot Springs is one of the hardest hit cities in the entire state for property tax losses between the current and next fiscal years. The Riverside County Assessor has reported that Desert Hot Springs is projecting a 29.32 percent loss of general fund property tax revenues, equating to \$1 million or eight percent of the

general fund budget. The additional Prop 1A takeaway of \$310,000 represents three full-time police officers. To handle this revenue reduction, the city would have to lay off staff, further dismantling city services, such as recreation, community services, and senior programs.

- The City of Blythe started the FY 2008/09 with a \$3.4 million dollar deficit. In preparing the FY 2009/10 budget, the city has a \$1.1 million dollar revenue shortfall. The state's proposed take of property taxes from Blythe totals \$259,000 which translates to multiple layoffs in several already understaffed departments such as Parks, Recreation and Police.
- The City of Coachella is currently projecting a general fund deficit of \$3.3 million which swells to \$3.7 million under this proposal. The city is already recommending severe operational cuts, including personnel cuts, with the use of one time revenues to offset the current projected deficit. Real impacts could include reducing public safety by 10 patrol hours per day which is the equivalent of two full-time officers, eliminating funding of the Coachella Senior Center and other youth-based groups, and additional reductions to the city parks and street maintenance personnel by about five full-time positions.
- The City of Brawley, slated to lose \$329,000, quantifies the property tax loss as the equivalent of three law enforcement positions. The city is currently contemplating city office furloughs to contain costs.
- A border community, the City of Calexico has unique demands on its public safety and public works budgets due to the added traffic and related road maintenance from daily border crossings. Calexico estimates a shortfall of \$4.2 million for the coming year and is proposing to further cut employee benefits, to freeze vacant positions and have layoffs, which further hurts the city's economy.
- Cathedral City, a post-Proposition 13 city, is in a severe financial situation. The city has already been forced to close its Parks and Recreation Department, has stopped watering parks and medians, eliminated 16 positions, consolidated job responsibilities and left 15 positions vacant. The city also reports to me that its response times for fire/paramedic services are close to seven seconds when the target is four seconds. The loss of another \$564,000 in tax revenues would place the city in a state of extreme hardship.

Public safety comprises the largest portion of all city general fund budgets, and therefore these proposed losses translate into direct hits on the safety and quality of such services. In our small cities and towns, there is very little "fat" to cut, because most costs are personnel related, and historically underserved rural areas are already understaffed and working beyond capacity. In other words, there are few genuine options that reduce costs. For instance, if a police officer position is cut, then in order to maintain a safe level of operation

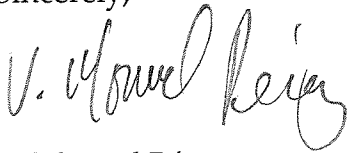
for the community and the officers, another officer will be brought back on overtime, which diminishes the expected savings.

Inevitably, reducing funding in one area places a burden on another. For instance, cutting an already strapped recreation program in order to lessen cuts to public safety creates new problems in the domain of law enforcement. In areas like the 80<sup>th</sup>, the closure of pool facilities or elimination of recreation programs during the summer means more youth "at loose ends" without positive outlets for their time and energy.

I would also like to register my concern about the repayment of this loan. Proposition 1A requires that it be repaid within three years. At a time when the legislative analyst projects the state will face annual shortfalls of \$15 billion to \$20 billion for the next several years, I question whether the state can follow through on this expectation.

I urge you to reconsider. The state cannot solve its budget problems on the backs of city government. Thank you for your attention.

Sincerely,

A handwritten signature in dark ink, appearing to read "V. Manuel Pérez". The signature is fluid and cursive, with the first name "V." and last name "Pérez" clearly distinguishable.

V. Manuel Pérez  
80<sup>th</sup> District, California Assembly